ELASTIC EMERGENCY CURRENCY THE NATION'S MOST PRESSING NEED

Continued from Page One

Continued from Page One unscrupulous and reckless, and where the conditions are such that, they act without supervision or control and at first without effective check from public opinion, they delude many innocent people into making investments or embarking in kinds of business that are really unsound. When the misdeeds of these successfully dishonest men are discovered suffering comes, not only upon them, but upon the innocent men whom they have misled. It is a painful awakening, whenever it occurs, and, naturally, when it does occur those who suffer are apt to forget that the longer it was deferred the more painful it would be. In the effort to punish the guilty it is both wise and proper to endeavor so far as possible to minimize the distress of those who have been missled by the guilty. Yet it is not possible to refrain because of such distress from striving to put an end to the misdeeds that are the ultimate causes of the suf-

No nation has greater resources than ours, and I think it can be truthfully said that the citizens of no nation possess greater energy and industrial ability. In no nation are the fundamental business conditions sounder than in ours at this very moment; and it is foolish, when such is the case, for people to hoard money instead of keeping it in sound banks; for it is such occasion of money stringency. Moreover, as a rule, the business of our people is conducted with honesty and probity, and this applies alike to farms and facories to railroads and banks, to all our legitimate commercial

fering, and, as a means to this end, where possible to punish those responsible for them. There may be honest differences of opinion as to many governmental policies, but surely there can be no such differences as to the need of unfinching perseverance in the war against success-

In my message to the Congress on De-mber 5, 1905, I said:

In my message to the Congress on December 5, 1995, I said:

"If the folly of man mars the general well-being, then those who are innocent of the folly will have to pay part of the penalty incurred by those who are guilty of the folly. A panic brought on by the speculative folly of part of the business community would burt the whole business community; but such stoppage of welfare, though it might be severe, would not be lasting. In the long run, the one vital factor in the permanent prosperity of the country is the high individual character of the average American worker, the average American of the average American worker, the average American of manual, whether his work be mental or manual, whether his work be mental or manual, whether he be farmer or wage-worker, business man or professional man.

"In our industrial and social system the interests of all men are so closely intertwined that in the immense majority of cases a straight-dealing man, who by his efficacy, by his ingenuity and industry, benefits himself, must also benefit others. Normally, the man of great productive capacity who becomes rich by guiding the labor of many other men does so by enabling them to produce more than they could produce without his guidance; and both he and they share in the benefit, which comes also to the public at large. The superficial fact that the sharing may be unequal must never blind us to the underlying fact tant there is this sharing, and that the benefit comes in your degree to each man concerned. Normally, the wageworker, the man of small means, and the average consumer, as well as the average producer, are all alike some degree to each man concerned. Normally, the wageworker, the man of small means, and the average consumer, as well as the average producer, are all alike helped by making conditions such that the man of exceptional business ability receives an exceptional reward for his ability. Something can be done by legislation to help the general prosperity, but no such help of a permanently beneficial character can be given to the less able and less fortunate save as the results of a policy which shall finure to the advantage of all industrious and efficient people who act decently, and this is only another way of saying that any benefit which comes to the less able and less fortunate must of necessity come even more to the more able and more fortunate. If, therefore, the less fortunate man is moved by envy of his more fortunate which they have both, though unequality, prospered the result will essuredly be that while damage may come to the one struck at it will visit with an even heav. Is moved by envy of his more fortunate high is moved by envy of his more fortunate brother to strike at the conditions under the hother to strike at the conditions under the highest conditions under the highest conditions the pass upon the future issue of securities, while ample means should be provided to enable the commission, whenever that while damage may come to the one struck at it will visit with an even heavier load the one who strikes the blow. Taken as a whole, we must all go up or go down together.

Need of Sovereign Power.

"Yet while not merely admitting, but insisting upon this, it is also true that where there is no governmental restraint or supervision some of the exceptional en use their energies, not in ways that re for the common good, but in ways high tell against this common good. The which tell against this common good. The fortunes amassed through corporate organisation are now so large, and vest such power in those tint wield them, as to make it a matter of necessity to give to the sovereign—that is, to the Government, which represents the people as a whole—some effective power of supervision over their corporate use. In order to insure a healthy social and industrial life, every big corporation should be held responsible by, and be accountable to, some sovereign strong enough to control the conduct. I am in no sense hostile to corporations. This is an age of combination, and any effort to prevent all combination will be not only useless, but in the end victous, because of the contempt for law which the failure to enforce law inevitably produces. We should, moreover, recognize in cordial and ample fashion the immense good effected by corporate agencies in a country such as ours, and the wealth of intellect, energy, and fidelity devoted to their service, and therefore normally to the service of the public, by their officers and directors. The corporation has come to stay, Just as the trade union his come to stay. Each ear

straint on competition, whether this restraint be reasonable or unreasonable; and where it is not useless it is generally hurtful. * * * The successful prosecution of one device to evade the law immediately develops another device to accomplish the same purpose. What is needed is not sweeping prohibition of every arrangement, good or bad which may tend to restrict competition, but such adequate supervision and regulation as will prevent any restriction of competition from being to the detriment of the public, as well as such supervision and regulation as will prevent other abuses in no way connected with restriction of competition.

I have called your attention in these quotations to what I have adready said because I am satisfied that it is the duty of the National Government to embody in action principles thus expressed.

INTERSTATE COMMERCE

No smail part of the trouble that we have comes from carrying to an extreme the national virtue of self-reliance of independence in initiative and action. It is wise to conserve this virtue and to provide for its fullest exercise, compatible with seeing that liberty does not become a liberty to wrong others. Unfortunately, this is the kind of liberty that the lack of all effective regulation inevitably breeds. The founders of the constitution provided that the National Government should have complete and sole centrol of interstate commerce. There was then practically no interstate business save such as was conducted by water, and this the National Government at once proceeded to regulate in throughgoing and effective fashion. Conditions have not so wholly changed that the interstate commerce by water is insignificant compared with the amount that goes by land, and almost all big concerns are now engaged in interstate commerce. As a result, it can be put partially and imperfectly controlled or regulated by the action of any one of the several States; such action inevitably tending to be either too drawle or else too lax and in either

Moreover, in my judgment there should be additional legislation looking to the proper control of the great business concerns engaged in interstate business, this control to be exercised for their own benefit and prosperity no less than for the protection of investors and of the general public. As I have repeatedly said in messages to the Congress and elsewhere, experience has definitely shown not merely the unwisdom but the futility of endeavoring to put a stop to all business combinations. Modern industrial conditions are such that combination is not only necessary but inevitable. It is so in the world of business just as it is in the world of business just as it is in the world of business just as it is in the world of business just as it is in the world of business just as it is in the world of put an end to combinations of labor. Corporation and labor union alike have come to stay. Each if properly managed is a source of good and not cvil. Whenever in either there is evil, it should be promptly held to account but it should receive hearty encouragement so long as it is properly managed. It is profoundly immoral to put or keep on the statute books a law, nominally in the interest of public morality, that really puts a premium upon public hamorality, by undertaking to forbid honest men from doing what must be done under modern business conditions, so that the law itself provides that its own infraction must be the condition precedent upon business success. To alm at the accomplishment of too much usually means the accomplishment of too little, and often the doing of poelitye damage. In my message to the Congress a year ago, in speaking of the antitrust laws, I said:

Combinations Necessary.

"The actual working of our laws has

cant compared with the amount that goes by land, and amount all to go you hand, and amount all the content of the controlled or regulated by the referency controlled or regulated by the property of the National Government can it too drawfor also too kas, and in other controlled property of the National Government can it too drawfor also too kas, and in other controlled property of the National Government can it too drawfor also too know the constitution in amplete and most far-reaching form; but is does mean real activity. Talks into advocating centralized in a supplet and most far-reaching form; but is does mean real activity. Talks into always and the controlled property of the National Government of the controlled property. Talks into always and the controlled property of the controlled pro Not Hostile to Corporations. Ast Howele to Corporations.

As I have elsewhere said:

"All this is substantially what I have said over and over again. Surely it ought not be necessary to say that it in no shape or way represents any hostility to corporations as such. On the contrary, I means a frank recognition of the fact that combinations of capital, like combinations of labor are a natural result of

Amend Anti-Trust Law.

Amend Anti-Trust Law.

The anti-trust law should not be repealed, but it should be made both more efficient and more in harmony with actual conditions. It should be so amended as to forbid only the kind of combination which does harm to the general public, such amendment to be accompanted by, or to be an incident of, a grant of supervisory power to the government over these big concerns engaged in interstate business. This should be accompanied by provision for the compulsory publication of accounts and the subjection of books and papers to the inspection of the government officials. A beginning has already been made for such supervision by the establishment of the Bureau of Corporations.

The anti-trust law should not prohibit combinations that do no injustice to the public, still less those the existence of which is on the whole of benefit to the public. But even if this feature of the law were abolished, there would remain as an equally objectionable feature the difficulty and delay now incident to its enforcement. The government must now submit to irksome and repeated delay before obtaining a final decision of the courts upon proceedings instituted, and even a favorable decree may mean an empty victory. Moreover, to attempt to control these corporations by lawsuits means to impose upon both the Department of Justice and the courts as impossible burden, it is not feasible to carry on more than a limited number of such suits. Such a law to be really effective must, of course, be administered by an executive body, and not merely by means of lawsuits. The design should be to prevent the abuses incident to the creation of unhealthy and improper combinations, instead of waiting until incy are in existence, and then attempting to destroy them by civil or criminal proceedings.

A combination should not be tolerated if it abuse the public detriment. No corri

doers of the courts are closed to those on the combinations which do evol. It is not those combinations which do evol. Office railroads would like to combinations which do evol. Office railroads would like to combinations which do evol. Office railroads would like to combinations which do evol. Office railroads would like to combinations which do evol. Office railroads would like to combinations which do evol. Office railroads would like to combinations which do evol. Office railroads would like to combinations in the course of the course of

Powers of Congress.

The Congress has the power to charter corporations to engage in interstate and foreign commerce, and a general law can be enacted under the provisions of which existing corporations could take out Federal charters and new Federal corporations could be created. An essential provision of such a law should be a method of predetermining by some Pederal bound or commission whether the applicant for a Federal charter was an association or combination within the restrictions of the Federal law. Provision should be made for complete publicity in all matters affecting the public and complete protection to the investing public and the shareholders in the matter of issuing corporate securities. If an incorporation law is not deemed advisable, a license act for big interstate corporations might be enacted; or a combination of the two might be tried. The supervision established might be analogous to that now exercised over national banks. At least, the antitrust act should be suppliemented by specific prohibitions of the methods which expertence has shown have been of most service in enabling monopolistic combinations to crush, out competition. The real owners of a corporations should be compelled to do business in their own name. The right to hold stock in other corporations should hereafter be denied to interstate corporations, unless on approval by the proper Government officials, and a prerequisite.

Would Benefit Railways.

National control of the kind above advocated would be to the benefit of every well-managed milway. From the standpoint of the public there is need for additional tracks, additional terminals, and improvements in the actual handling of the railroads, and all this as rapidly as possible. Ample, sate and speedy transportation facilities are even more necessary shan cheap transportation. Therefore, there is need for the investment of money which will provide for all these things while at the same time securing as far as is possible better wages and shorter hours for their employees. Therefore, while there must be just and reasonable regulation of rates, we should be the first to protest against any arbitrary and unthinking movement to cut them down without the fullest and nost careful consideration of all interests concerned and of the actual needs of the situation. Only a special body of men acting for the National Government under authority conferred upon it by the Congress is competent to pass judgment on such a matter.

Those who fear, from any reason, the Would Benefit Railways.

extension of Federal activity will do well to study the listory not only of the na-tional banking act but of the pure-food

Moreover, in my judgment there should be additional legislation looking to the proper descention of the great business descentions engaged in interstate descentions. business, this control to be ex-ercised for their own benefit and prosperity no less than for the protection of investors and the protection of investors and of the general public. As I have repeatedly said in messages to the Congress and elsewhere, experience has definitely shown perience has definitely shown not merely the unwisdom, but the futility of endeavoring to put a stop to all business com-binations. Modern industrial conditions are such that combination is not only necessary, but inevitable. It is so in the world of business just as it is so in the world of labor, and it is as idle to desire to put an end to all corporations, to all big combinations of capital, as to desire to put an end to combin-ations of labor. Corporation and labor union alike have come

law, and notably the meat Inspection law recertly enacted. The pure-food law was opposed so violently that its passage was delayed for a decade; yet it has worked unmixed and immediate good. The meat inspection law was even more violently assailed; and the same men who now denounce the attitude of the National Government in seeking to oversee and control the workings of interstate common carriers and business concerns, then asserted that we were "discrediting and ruining a great American industry. Two years have not clapsed, and already it has become evident that the great benefit the law confers upon the public is accompanied by an equal benefit to the reputable packing establishments. The latter are better off under the law than they were without it. The benefit to interstate common carriers and business concerns from the legislation I advocate would be equally marked.

Pure Food Law. law, and notably the meat inspection law

"The mere statement of these facts shows that our present system is seriously defective. There is need of a change. Cufortimately however, many of the proposed chages must be ruled from consideration been any are complicated, are not easy of a prehension, and tend to disturb existing rights and interests. We must also rule out any plan which would materially impair the value of the United States? per cent bonds now pledged to secure directation, the issue of which was made under conditions peruliarly creditable to the Treasury. I do not press any especial plan, Various plans have recently been proposed by expert committees of bankers. Among the plans which are possibly fensible and which certainly should receive your consideration is that repeatedly brought to your attention by the present Secretary of the Treasury, the essential features of which have been approved by many prominent bankers and business men. According to this plan national banks should be permitted to issue a specified proportion of their capital in notes of a given kind, the issue to be taxed at so high a rate as to drive the notes back when not wanted in legitimate trade. This plan would not permit the issue of currency to give banks additional profits, but to meet the emergency presented by times of stringency.

"I do not say that this is the right sys-

Need of Change in System.

"I do not say that this is the right system. I only advance it to emphasize my belief that there is need for the adoption of some system which shall be automatic and open to all sound banks, so as to avoid all possibility of discrimination and favoritism. Such a plan would tend to prevent the spasms of high money and speculation which now obto in in the New York market, for at present there is too much currency at certain seasons of the year, and its accumulation at New York tempts bankers to lend if at low rates for speculative purposes; whereas at other times when the crops are being moved there is urgent noed for a large but temporary increase in the currency supply. It must never be forgotten that this question concerns business men generally quite as much as hankers; especially is this true of stockmen, farmers, and business men in the West, for at present, at certain seasons of the year the difference in interest rates between the East and the West is from 6 to 18 per cent, whereas in Canada the corresponding difference is but 2 per cent. Any plan must, of course, guard the interests of New York or Chleago bankers, and must be drawn from the standpoints of the farmer and the merchant no less than from the standpoints of the farmer and the standpoints of the city banker and the country banker."

I again urge on the Congress the need of immediate attention to this matter. We need a greater elasticity in our currency, provided, of course, that we recognize the oven greater need of a safe and secure currency. There must always be the most rigid examination by the national authorities. Provision should be made for fin emergency issue should, of course, be made for fin emergency currency. The emergency issue should, of course, be made for fin emergency that we recognize the oven greater need of a safe and secure currency. There must always be the most rigid examination by the national authorities. Provision should be made for a heavy tax. This would permit currency being issued when t

whether orders and directors of national banks should ever be allowed to loan to themselves. Trust companies should be subject to the same supervision as banks; legislation to this effect should be enacted for the District of Columbia and the Territories.

Yet we must also remember that even the wisest legislation on the subject can only accompilsh a certain amount. No legislation can by any possibility guar-antee the business community against the results of speculative folly any more than if can guarantee an individual than if can guarantee an individual against the results of life extravagance. When an individual mortgages his house to buy an automobile he invites disaster, and when wealthy men, or men who pose as such, or are unscrupulously or foolishly cager to become such, indulge in reckless speculation—especially if it is accompanied by dishonesty—they jeopardize not only their own future but the future of all their innocent fellow-citizens, for they expose the whole business community to panic and distress.

NATION'S BALANCE IN RIGHT SIDE OF BOOK

The income account of the Nation is in the most satisfactory condition. For the six fiscal years ending with the 1st revenues of the national government, exclusive of the postal revenues and expen-ditures, were, in round numbers, reve-nues, \$2,465,000,000, and expenditures, nues. \$2,455,000,000. and expenditures, \$3,275,000,000. The net excess of income over expenditures, including in the latter the fifty millions expended for the Panama caust was one hundred and ninety million dollars for the six years, an average of about thirty-one millions a year. This represents an approximation between income and outgo which it would be hard to improve. The satisfactory working of the present tariff law has been chiefly responsible for this excellent showing. Nevertheless, there is an evident and constantly growing feeling among our people that the time is rapidly approaching when our system of revenue legislation must be revised.

series and the wealth of intellect. Heaving the threefore and director. The proble, by their officers and directors, and the series of the Coggress and disease, the problem of the series of the Coggress and disease, the problem of the series of the Coggress and disease, the problem of the series of the Coggress and disease, the problem of the series of the Coggress and disease, the problem of the series of the Coggress and disease, the problem of the series of the Coggress and disease, the problem of the series of the coggress and disease, the problem of the series of the coggress and disease, the problem of the series of the coggress and disease, the problem of the series of the coggress and disease, the problem of the series of the coggress and disease, the problem of the series of the coggress and disease, the problem of the series of the coggress and disease, the problem of these are the series of the coggress and disease, the series of the coggres

When our tax laws are revised the question of an income tax and an inheritance tax should receive the careful attention of our legislators. In my judgment both of these taxes should be part of our system of Federal taxation, if speak diffidently about the income tax because one scheme for an income tax was declared unconstitutional by the Supreme Court: while in addition it is a difficult tax to administer in its practical working, and great care would have to be exercised to see that it was not evaded by the very men whom it was most desirable to, have taxed, for if so evaded it would, of course, be worse than no tax at all; as the least desirable of all taxes is the tax which bears heavily upon the honest as compared with the dishonest man. Nevertheless, a graduated income tax of the proper type would be a desirable feature of Federal taxation, and it is to be hoped that one may be devised which the Supreme Court will declare constitutional. The inheritance tax, however, is both a far better method of taxation, and far more important for the purpose of having the fortunes of the country bear in proportion to their increase in size a correportant for the purpose of having the fortunes of the country bear in propor-tion to their increase in size a corretion to their increase in size a corresponding increase and burden of taxation. The government has the absolute right to decide as to the terms upon which a man shall receive a bequest or devise from another, and this point in the devolution of property is especially appropriate for the imposition of a tax. Laws imposing such taxes have repeatedly been placed upon the national statute books and as repeatedly declared constitutional by the courts; and these laws contained the progressive principle, that is, after a certain amount is reached contained the progressive principle, that is, after a certain amount is reached the bequest or gift, in life or death, is increasingly burdened and the rate of taxation is increased in proportion to the remoteness of blood of the man receiving the bequest. These principles are recognized aiready in the leading civilized nations of the world. In Great Britain all the estates worth \$5000 or less are practically exempt from death duties, while the increase is such that when an estate exceeds five millions of dollars in value and basses to a distant kinsman or atranger in blood the government receives all told an amount equivalent to nearly a fifth of the whole estate. In France so much of an uncritance as exceeds \$10,000,000 pays over a fifth to the state if it passes to a distant relative.

Draws Lesson From Germany.

Draws Lesson From Germany.

The German law is especially Interesting to us because it makes the Inheritance tax an imperial measure while alloiting to the individual States of the Empire a portion of the proceeds and permitting them to impose taxes in addition to those imposed by the Imperial Government. Small inheritances are exempt, but the tax is so sharply progressive that when the inheritance is still not very large, provided it is not an agricultural or a forest land. It is taxed at the rate of 25 per cent if it goes to distant relatives. There is no reason why in the United States the National Government should not impose inheritance taxes in addition to those imposed by the States, and when we last had an inheritance iax about one-half of the States evice such faxes concurrently with the Draws Lesson From Germany.

The anti-trust law should not -:be repealed; but it should be made both more efficient and more in harmony with actual conditions. It should be so amended as to forbid only the kind of combination which does harm to the general public, such amendment to be accompanied by, or to be an incident of, a contact of supervisory nearest to

harm to the general public, such harmound and the substances of the Government over those big have business. This should be ach companied by provision for the companied by provision for the companied by provision for the counts and the subjection of the counts without the count of the count of the count of the progressive principle is so applied that for some there is warrant. This count is the possible be made to hear more heavily upon those residing without the country than within it. A heavy progressive than the country than within it. A heavy progressive than the country of the co

indement the wise time to deal with the matter is immediately after such election.

INHERITANCE TAX AND INCOM*: TAX NEEDED

When our tax laws are revised the question of an income tax and an intertrance tax should receive the careful attention of our legislators. In my judgment both of these taxes should be part of our system of Federal taxation. In this pared to his fellows.

EVIDENT THAT NONE

STANDS ABOVE THE LAW A few years ago there was loud com-plaint that the law could not be invoked against the wealthy offenders. There is no such complaint now. The course of the Department of Justice during the last

We need a greater elasticity in our currency, provided, of course, that we recognize the even greater need of a safe and secure currency. There must always be the most rigid examination by the National authorities. Provision should be made with an effective guaranty, and upon conditions carefully prescribed by the Government. Such emergency issue must be based on adequate securities approved by the Government, and must be issued under a heavy must be issued under a heavy

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few years has been such as to make it evident that no man stands above the law, that do corporation is so wealthy that it can not be held to account. The Department of Justice has been as prompt to proceed against the wealthlest male-factor whose crime was one of greed and curning as to proceed against the agitator who incites to bruial violence. Everything that can be done under the existing law, and with the existing state of public opinion, which so profoundly influences both the courts and juries, has been done. But the laws themselves need strengthening in more than one imporbeen done. But the laws themselves need strengthening in more than one impor-tant point, they should be made more definite, so that no honest man can be led unwittingly to break them, and so that the real wrongdoer can be readily punished.

led unwittingly to break them, and so that the real wrongdoer can be readily punished.

Moreover there must be the punic opinion back of the laws or the laws themselves will be of no avail. At present while the average juryman undoubtedly wishes to see trusts broken up, and is quite ready to fine the corporation itself, he is very rejuctant to find the facts proven beyond a reasonable doubt when it comes to sending to fail a member of the business community for indulging in practices which are profoundly unhealthy, but which, unfortunately, the business community has grown to recognize as well-nigh normal. Both the present condition of the law and the present condition of the law and the present temper of juries render it a talk of extreme difficulty to get at the real wrongdoer in any such case, especially by imprisonment. Yet it is from every standpoint far preferable to punish the prime of fender by imprisonment rather than to fine the corporation, with the attendant damage to stockholders.

The two great evils in the execution of our criminal laws today are sentimentality and technicality. For the latter the remedy must come from the hands of the legislatures, the courts and the lawyers. The other must depend for its cure upon the gradual growth of a sound public opinion which shall insist that regard for the law and the demands of reason shall control all other influences and emotions in the jury box. Both of these evils must be removed or public discontent with the criminal law will continue.

Instances of abuse in the granting of

Injunctions.

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